2019 Building HOME Webinar Series IV Office Hours Session 1

Les Warner: Welcome everybody. This is our office hours session following our first installment in our Building HOME Virtual Webinar Series. We're going to start today by going through exercise number one, which is looking at eligible activities. And once we've completed that, we're going to address any questions that folks may have from yesterday or things that have occurred to you since then.

So if you're coming to today's session and you already have a question that you would like to ask, you can go ahead on the top right-hand corner of the screen and click on the Q&A box. That will open up for you to be able to type a question in.

If you have any technical questions or having audio issues or a question about not receiving materials, if you open the chat box which is on the top right hand also, and you can send a message to the ICF event host -- and that's Nicole today -- and she will see what she can do to try to assist you on that.

Let's see. Oh, one other thing I'll just mention, on our -- on the screen -- and we're looking at the exercise on the screen -- as I scroll down on my page, it will not scroll on your page. So as we work our way down through the exercise, you will actually need to scroll on that page to make sure that you can see the text that we're working on.

So for this exercise -- and I should say we're -- I'm assisted today by Shawna LaRue Moraille who was on our call yesterday. And so we'll be pinch hitting in the second half. I'm going to deal with the exercises on the first part of this.

So you were given in exercise one a scenario about a community, a little bit of information about the demographics for that community, a little bit about their -- the income for the community and the amount of funding that they're receiving. So I'll just note here, so they've got $750,000 annually in their HOME allocation, but they also received $50,000 in the prior year in program income.

So if you were a PJ, a participating jurisdiction, that was kind of predictively receiving an additional let's say in this case $50,000, if that's a normal amount, that means to be able to move your money and expend it in a timely fashion, you would have to put together a program that had an $800,000 budget to make sure that your allocation that you're receiving and the program income that's going to come in in addition to that would be expended.

So keep that in mind, and we know also that, as you're receding program income into IDIS -- we'll be talking more about this later but you are -- that does build on your admin budget and help out a little bit. We talked about that yesterday with the sheet cake chart. So these folks are meeting their 15 percent CHDO set aside on that.

So we're given a list of items that they're asking are these eligible activities. And so of course keep in mind that you would have to have each of these types of activities included in your consolidated plan and action plan. And know that on most of these there are some additional questions, some additional review that you would have to complete as part of your funding on this. And I'll -- we'll point out some of those things as we go along.

So in this case the mayor has launched an initiative to increase affordable housing in the area, and their goal is by 2020. In 2019 that's probably not going to be feasible, but they're talking about a shortage of rental housing. And there's a councilmember proposing to use HOME funds for rental housing development.

So yes. This is absolutely an eligible activity. Our fourth week we're going to be talking about all the rules that are specific to the rental program, but that's absolutely an eligible activity.

Question B. Public housing is in really bad shape, and the Housing Authority is asking for funds to modernize its units with Section 9 funding. And these are from the 1937 act for PHAs, and they want to combine that with HOME funds.

So I think Shawna covered this yesterday, but one of the prohibited uses of our HOME funds are for public housing and specifically for the 1937 act housing. And so this would be a request for funding that you would have to say no. And in many cases you're going to have to be able to show where in the regulations and the notices that this is disallowed because, obviously, sometimes you're going to have some outside or internal political pressure about this. And you're going to need to know the regulations to be able to explain why you are saying no to the request.

All right. So item C. We have a nonprofit that wants to build 20 units of rental development, and all of these units are going to be for tenants with incomes between 50 percent and 80 percent of area median income.

So this is something that's eligible. We know that for HOME it requires that all of our households have an income at or below 80 percent of area median income. Now, when we get into later in the training, we're going to be talking about there are some additional rules such as the program and the project rule that would talk about what the mix of units would be and the income limits that would be in place. And so there may be some impact and some designations that you would be making as part of that funding, but yes. This is an eligible activity to use HOME funds for.

Item D. The City staff wants to use HOME funds for down payment assistance, and they want to use these to match funds that HOME buyers are saving in the Best Bank program, which I'm going to presume is what we call an IDA, an individual development account.

I don't know if that's actually currently receiving funding, but the AFI program, which was Assets for Independence, was a program that provided funds to be able to match the savings that households were putting in. And there were a couple of options that one of those options for use of that is to -- for home ownership.

And so the HOME program, it is eligible to use down payment assistance as one of our eligible activities. Keep in mind -- and we'll talk more about this when we get into the HOME buyer section -- that the way that we determine the amount of money that we would provide a particular household would be to underwrite that and determine what the level of assistance was needed to make that unit affordable.

So in this proposal they're talking about matching the funds, and so HOME wouldn't be able to automatically simply say, okay. So you've saved $7,000. We will give you $7,000. We're going to have to underwrite and determine do they need $7,000? Maybe they need $10,000, but down payment assistance itself is something that's going to be eligible.

All right. Item E. The Community Builders CHDO wants to do emergency home repairs for elderly, and so they want to spend small amounts of HOME funds for emergency repairs.

So this is something that is not eligible, and the reason that it's not eligible is that the HOME program requires that, when we put funding into a unit, that we need to bring the unit up to our property standards. So that would mean inspecting all of the components of the building, and then a scope of work would be developed based on all of the work that would be needed to be able to bring that unit up to standard.

So under a typical emergency repair program, we might be replacing a roof or replacing a heating/cooling system but not going through the overall unit and determining what all of the elements were that would need to be corrected to bring that into compliance. So we could not do an emergency repair program using HOME funds.

Now, for those of you that work with CDBG, you would be saying, well, gee, that's something you can do under the CDBG program. And so there may be other ways to be able to address that, but it simply would not be eligible under the HOME program.

Item F. The City has a high unemployment or an increasing unemployment rate and quite a bit of homelessness, and they want to be able to use HOME funds to be able to build a homeless shelter.

This is something that would not be allowed using HOME funds, and the reason behind this is that HOME program is a housing production program that is working on permanent affordable housing. And so a shelter where we have folks who would not have a lease or a specific unit in their name, wouldn't have a lease generally for a year's term would not qualify as being permanent housing.

And so, again, it would be something that you could not use HOME funds for. You could use CDBG funds or other funds that might be available, but we would have to say no for HOME funds on this.

We also have under item G, Community Development, Incorporated, which is the CHDO, wants to add some funding for construction they have planned to start within a couple of months. So this is rental development and they're saying now that they have a $20,000 gap but they want to use HOME funds to be able to do this.

So we know that rental housing is available -- is eligible, and so this is an eligible use of funds. And we'll talk in more detail next week about specifically CHDOs, but if this is a CHDO that we can certify and if they are in one of our acceptable roles in this project, we may be able to use that, our 15 percent set-aside CHDO funds, for this project.

I will point out a couple of things here. So the CHDO's coming to you and saying, we need $20,000 of HOME funds. You're obviously going to need to underwrite that project at this point and ask all of the questions we talked about in making a -- an actual commitment of HOME funds.

So looking at the market and determining is there actually a demand for these units? Are they going to be affordable? Also, thinking about sources and uses, is $20,000 the right amount, or perhaps they need more or less in that.

Also, keep in mind that, if this is a project that prior to this request for HOME funds doesn't have any federal funds in it, it's also now triggering all of the other federal requirements. So it's possible that we would be triggering things like Mavis-Bacon wage rates. You definitely would be triggering environmental review requirements.

So be very cautious in these situations and work very closely and sometimes very quickly to determine the status of the project, the other funding in it because you may need to put the thing on hold until the environmental review process has been completed and there's a release of funds.

So there will be a number of steps in this, and sometimes, as Shawna talked about, when you put in $1 of HOME funds, you're getting a whole bunch of these other regulations. Sometimes the very fact that you're putting a small amount of federal dollars in a project will actually increase the cost quite a bit. So it could be that instead of $20,000, they need quite a bit more for that project. But it is something that is eligible.

Shawna LaRue Moraille: Hey, Les?

Les Warner: Yes.

Shawna LaRue Moraille: Before you move on, just since you covered CHDOs in G, can you just go back to E, and there was just a point that somebody made about the CHDO not being eligible for homeowner rehabilitation. So can you just cover that in terms of that activity before you move on?

Les Warner: Yeah. So in our next week's section where we're talking about CHDOs, we'll go into more detail, but all of the CHDO activities all have a development aspect to them. So either we're building something new, we're taking a non-standard unit and making it standard, making it affordable.

So not only is emergency repair not a CHDO set-aside, it's not a HOME eligible activity at all, but even an overall running a homeowner rehabilitation program isn't something that a CHDO -- that's not an eligible project for a CHDO under the set-aside to be able to do.

We will mention next week that you as a CHDO also could receive funds as a subrecipient. And so instead of functioning as a CHDO and following all the CHDO rules, you might be functioning as a subrecipient and then there would be some differences in the rules that would apply. Things like program income and all the federal financial requirements would apply as a subrecipient that wouldn't apply if they were functioning as a CHDO.

So not only can we not do this with HOME funds, but we couldn't even do a homeowner rehab program as a CHDO set-aside activity on this.

Shawna LaRue Moraille: Thank you.

Les Warner: Okay. Let's -- and then let's switch back to H. So we have rental owners that are complaining about the quality of the city's infrastructure, and specifically, there is a need to do repair to the city sidewalks. And they see this as a factor in our neighborhoods where we've got affordable housing development.

So in questioning, is this eligible, keep in mind, again, we're a housing production program. So we can only do -- our rule with HOME is we can only pay for infrastructure when it's on site for an affordable housing project. So for instance, if I was building new rental housing, on my site itself I could put in the sidewalks that folks are going to be able to use.

But let's say the sidewalks that go from the edge of our property to the end of the block are in bad repair or maybe don't even exist. That's not something that we could use our HOME funds for because that's off site as opposed to on that site. So we can't do a repair program for the sidewalks using HOME funds, and in fact, under CDBG we can't do repairs of sidewalks. We could do replacements, if needed, but that repairs would also not be eligible under CDBG.

Sometimes it's really helpful to know what the other program options are so, when you have someone who has an important need and you're having to say no to them, if you can direct them to someone who may be able to help them, that's kind of a good thing to be able to do.

All right. So let's move to page two of this, and we have a few more of these.

So we have a nonprofit that wants HOME funds to demolish 20 units of poor quality housing, and they're going to build 10 new rental units.

So let's kind of pick this apart. So rental new construction, that's something that's eligible. And as part of a HOME project, we can do demolition. We couldn't simply do demolition as a stand-alone, but demolition as part of a project to build some new units, clear that site, that would be acceptable.

The issue -- and so this would be an eligible use of HOME funds if these units are going to be affordable and we're essentially going to tag them as being HOME units. So that's what we're getting in exchange for our investment in this project is new affordable units.

But a couple of things just to keep in mind on this, and we will not really go into this in this training. But the Uniform Relocation Act and Section 104(d) are making sure that we protect not only the individuals that might reside in a project and be displaced by that project, but also, under Section 104(d), there is a one-for-one replacement requirement when we eliminate a unit of affordable housing.

So in this case we've got 20 units. We're going to tear them down, and we're only going to build 10 units. So Section 104(d) is going to require that, if these were affordable housing units, then we're going to have to have a one-for-one replacement plan and be able to show how we're going to replace those units within our community.

Now, that might well be that we've got some other development projects we're funding, and so we're able to point to these other projects. A lot of times this is kind of a paperwork process, but that would be something that would be triggered by this project. And if we had -- in any of those units that are being demolished, if we had low income individuals in those units, under Section 104(d) they would be eligible for relocation assistance. And relocation under Section 104(d) is a little bit different than URA.

So we would actually be calculating and notifying them of their rights and benefits under both URA and Section 104(d), and they're going to be choosing which one of those program benefits they're going to receive. So there's some leg work involved in this and perhaps some other budgetary implications on this.

All right. So J. We have a CHDO that's proposing to run a TBRA program for the City to help low-income familiars find decent housing, and the City wants to use their CHDO set-aside funds.

So this is not something that is eligible as a CHDO set-aside activity. TBRA is not an activity that essentially is developing affordable units. It's simply providing a subsidy to a -- directly to a family. So it's not something we could use our CHDO set-aside fund for. We could fund the CHDO as a subrecipient, and so outside of those CHDO flexibilities, to be able to use funds within our allocation to be able to run a TBRA program. But we could not use the CHDO set-aside funds.

All right. Item K. The City's experiencing a code enforcement problem with student housing, and they're asking for $200,000 to repair student housing to correct code violations.

So this is something that is not eligible. The HOME program specifically calls out and says that student housing is something that is not an eligible part of the HOME program, and so this is something that you would not be able to assist them with.

And then our last item. The City will provide grants to small rental projects, two to four units, to bring those units up to code if all the tenants have incomes at or below 80 percent of area median income.

So this is an eligible use of funds. So this would be a rental housing activity, and in exchange for our funding that we put in to make property improvements to those units, we're then going to require -- based on our average investment per unit, we're going to require a 5-, 10-, or 15-year affordability period. So that does impose an affordability period.

It will mean that we will have some ongoing compliance throughout that affordability period, and we -- in our last week we'll be talking in great detail about what is an affordable rent? What are the income limits? What are the requirements for the PJ and that project owner over the life of that project during its affordability period? But yes. This would be something that would be eligible.

And frankly, this can be a really good project when you look at your small-scale rental properties. There's a lot of affordable housing that the property owner simply isn't bringing in enough cash flow to be able to make those reinvestments in the property that are really needed to keep them decent, to keep them part of your affordable housing supply.

So programs where you work with those small-scale property owners to make some of those needed reinvestments keeps those units in your affordable housing supply. So it can be a real important type of use for your funding.

Okay. So that takes us through our actual exercise for the day. Let's see if we have some questions in the --

Shawna LaRue Moraille: No. We're good.

Les Warner: Yeah. Okay. Then what I'm going to do for the moment then -- so if there are questions that folks have, go ahead at any point and put them in the Q&A box. And Shawna will stop me and say, hey, Les, we've got a question. But otherwise, I'm going to revisit a couple of things.

I went over all the questions that came in from yesterday, and I wanted to reiterate a couple of those. And I will say I noticed today in looking over this list, there were a couple of questions that did not show up on my screen when I was answering questions. So I want to make sure that we answer those.

So there was a question yesterday that was not answered that was asking about, are there alternatives to expensive market studies that are -- really make sense for large projects, but if we have a small project, are we required to do this expensive market study?

So we'll talk more about that in -- when we get to rental, but really for a smaller-scale project, HOME has said to you that, as part of your commitment process, you have to be able to do a market assessment. But it doesn't define what process, what documents you will use for that.

So I think when you have a large-scale project, it does make sense to have a professionally done market study, and then you're going to carefully review that and make sure that it's really lines up and has really considered appropriately that market.

But for smaller-scale projects, it may be adequate -- and that's kind of going to be a decision you'll have to make locally -- to maybe you look at the history. Let's say you're reinvesting in a two- to four-unit rental property. We might look at the rental history of that property. Has it stayed occupied over time to be able to make an evaluation of, if we reinvest in this property, will we be able to keep it rented and serving as affordable housing in the community?

So you really can craft what it is that you think is appropriate based on the scale of the project, and so you don't necessarily need to be doing a professionally completed study. That's really a policy call that's been left flexible for you to figure out what's going to be appropriate.

There was also a question yesterday which I thought was kind of interesting, and there was a -- sort of a simple quick answer and then also -- well, there's some other things to think about here.

So there was a question of, can HOME every cover 100 percent of the project cost? And in this case they were talking about this being a grant to a CHDO.

So we're putting our HOME funds in to in exchange get affordable -- long-term affordable housing, and we're going to size the level of assistance based on the need for that project. So if our underwriting determined that they needed 100 percent of the funds to be provided from HOME, that would be perfectly allowable under the HOME program.

So the quick answer is, sure. You could be 100 percent of the cost, but I would also then say, well, if I'm underwriting this and I'm looking at this project, in many cases or maybe most cases there's going to be some level of cash flow. So folks are going to be paying in rent, and out of that you're going to have to pay your property taxes and your -- you're paying money into probably maintenance and operating reserves and there are costs of doing business on this.

In some cases where you have really targeted rents to be very low, very affordable and maybe you have some higher costs on your management and taxes, you could have a property that, because the rents were so low, that maybe you couldn't support any debt. But your underwriting would really determine that.

So if they have adequate cash flow to be able to afford and be sustainable with a small mortgage, then normally, we're going to say we don't want to fund 100 percent of your project. We want you to get the bank loan that you can qualify for, and then we're going to fill the gap on that project.

You could also -- maybe the CHDO is having issues on being bankable, and it might be that you would say, okay. We're going to provide this as a loan to the CHDO. Some of it's deferred, but maybe we want a portion of your cash flow. You're trying to make sure that you're not over-subsidizing or under-subsidizing a project. All right.

There also was a question yesterday about -- I think when -- probably when Shawna was talking about things that were not allowable, she was talking project-based vouchers. And there was some concern about that.

So what Shawna was saying was you can't use your HOME funds to pay for a project-based subsidy. So we couldn't say, I'm going to set aside $200,000 of HOME funds, and we're going to provide some -- vouchers are going to be available on an annual basis for a number of our units.

That's not something that we can do. We certainly, as part of the underwriting, will set affordability for the units in that property and underwrite it in a way that that property will be sustainable with that particular schedule of rent, but we can't really do a voucher program.

Now, what we can do is, if there's another source -- if there's a HUD project-based voucher that's available, that's great. We would certainly be able to accommodate that. So we might be able to get -- let's say we were able to get a HUD project voucher for ten of our units so it would allow those tenants to pay only 30 percent of their household income. And that might be targeted for households that were -- I don't know -- 30 percent of area median income or some range below 50 percent.

That's really going to make that HOME rent affordable to them because we have this extra subsidy that's in place. That's great. That's not using HOME funds in a way that's not allowable. We're using someone else's funds to pay for that project-based voucher system.

All right. Let's see. And, Shawna, anything new coming in your side?

Shawna LaRue Moraille: Just a clarification on the quiz about area activities not being eligible as a CHDO set-aside activity.

And then also another person who just brought up just a longer period of affordability and asking about a 30-year period of affordability and is that too long for HOME? And I clarified that it's really the PJ's decision if they want to have an extended period of affordability.

But we would always encourage them to have the HOME period be specific in the written agreement and deed restriction with the rental property owner. And then if there's any type of extended use, they could certainly add that in either within the same agreement, or they could do a separate agreement for that. We've seen both, just so long as it's clear in case they want to add more HOME money back into the project.

Les Warner: Yeah.

Shawna LaRue Moraille: And if it's anything involving that extended use period, I mean, it doesn't have to be the same requirements. It could be minimal requirements, if the PJ chose to do that. So that's -- that's basically what's come in.

Les Warner: Great. And Shawna makes a really important point on this about doing this as a separate. Early on -- and I think people have kind of gotten on board with that lately, but earlier on, particularly in kind of high-cost markets, a number of PJs said, well, we really were struggling to hold onto our affordable units. They're converting to market-rate units.

And so they wanted to, with the investment they were making, ask for a longer affordability period, and they simply listed the HOME affordability period, chose a longer number. And that really meant we know that during the affordability period, you cannot invest any additional HOME funds.

So there were communities that had 50-year affordability periods. You could have a project that needed, as systems and materials in that property reach really the end of their useful life, where things need to be replaced. And we had some situations where projects were kind of in financial trouble, but because they were still within that HOME affordability period, no additional HOME funds could go in.

So had they chosen to do what Shawna was suggesting and set the HOME affordability period at the minimum standard -- so maybe it's 15 years on a rental rehab project -- and then have a local extended affordability period, if something happened after they completed their HOME affordability period, the PJ would have the option under their own criteria to be able to provide them additional assistance.

It also means if you establish a longer HOME affordability period, you are held to the HOME prescribed monitoring and compliance requirements, where, otherwise, once you complete that HOME affordability period, anything you set in place for an extended period, you have the flexibility because it's your own restriction to lay out a protocol and how you will maintain oversight and compliance on that.

Shawna LaRue Moraille: And can I just add that the person that wrote in about the longer period of affordability, I was answering it too more on the rental activity, Les. But for HOME buyer, I mean, we've seen some communities have long HOME buyer agreements, deed restrictions. Maybe they have the resale provision, which I know we haven't talked about.

But most communities that we know that have that longer period of affordability have decided that they're going to go back to the HOME minimums because of what Les just said. It's a longer period for you to monitor. It's a higher standard that you're going to be held to, and if you want to keep units affordable in your community, there might be a better way to do that because, after 30 years as HOME buyer, I mean, they're probably going to need some type of assistance for rehabilitation or something like that. So we haven't seen that in the last ten years. Most people are dialing it back.

Les Warner: Right. Right. Some hard lessons were learned by other folks that you want to pick up on and not have the same experience.

All right. So there was a question yesterday about, can we pay current property taxes? So I think when Shawna went over ineligible costs, she talked about you can't use HOME funds to pay for back taxes. But property taxes that are incurred during that project are something that will be an eligible project cost.

So let's say we're going to acquire -- let's say we're acquiring ten houses, single family houses. We're going to rehab them and sell them. So during that development period where we are under construction or while we are marketing and trying to sell those units, we're going to have a property tax obligation. That's an eligible project cost as part of your HOME funds. Once those units are sold to the HOME buyers, then of course the property taxes have to be paid by the HOME buyer.

For a rental project, once the project itself has been completed and the project has been placed in service, that wouldn't be something that would be funded with your HOME funds, but it would be part of their operating expenses. And you have, as part of your underwriting, determined what can they afford. What cash flow is coming in? What are their expenses going to be, including those property taxes? And you've underwritten it in a way that that project is going to be able to afford to pay those property taxes.

Now, sometimes we'll have folks ask a question of, I'm buying -- let's say I'm buying a -- an existing multi-family property for $1 million and at the closing there is a tax lien in place and, essentially, our HOME funds are going to be used to pay off, as part of that payoff for those past taxes.

That's okay because what you are paying for -- you found the building that you want to purchase. You have an appraised value on this. You're paying for the value of the property. How the funds that you pay then are distributed based on the debts or the liens that are in place by the prior owner, that really doesn't -- that's not in conflict with this issue about past taxes.

And I will say sometimes, particularly in a homeowner rehab program, you will have a homeowner that their house might be at risk because of unpaid taxes. So typically, you would see a program that would say that you're not eligible for homeowner rehab unless you were current on your taxes.

And there are a number of communities that the way that would work, if I was behind on my taxes, I could go to my Tax Department and agree on a payment plan and make my current payment on that. So maybe we agree that I'm going to pay -- I don't know -- $100 a month for the next three years to be able to pay down this large backlog of taxes. Once you have made that first payment and you are current on that plan, the program might accept you for rehab because you are now current with your taxes at that point. But that would be a local policy decision.

Shawna LaRue Moraille: And that's probably one of the most common local criteria that we have seen for homeowner rehabilitation. So I think that's really helpful to mention.

Les Warner: Yeah. Yeah. Okay. There also was a question about housing cooperatives and are they eligible. And I don't know if we've mentioned that yet. We certainly will under both homeowner rehab and HOME buyer.

So cooperative units are something that, if they are recognized within the state that you live in as a form of ownership, that they could be eligible as a homeowner to apply for rehab or as part of a HOME buyer program to purchase a coop unit. But that will differ from state to state as whether that's actually a recognized form of ownership for your state.

I'm just going to mention yesterday there was a whole stream of TBRA and relocation questions. And I think any time we get into a complicated project, it's probably something that, instead of trying to do this on a Q&A in a little type in box, I think -- on the case that was asked about yesterday, I think this is something that you should sit down.

There is -- in each of the regions there is a Uniform Relocation Act regional specialist. And I think on a lot of these projects where you've got kind of a complicated funding on this, I think it makes sense to sit down with that regional specialist and kind of work through that. I always find -- you almost have to ask 20 additional questions to be able to really figure out, okay. What is the actual project? What are we actually -- what are the -- are there federal funds in the actual project itself to then try to be able to determine whether this actually triggers or not?

And one answer to one of those 20 questions can change the response on whether it's going to be eligible, whether it's triggered, much like when we talked about on our exercise questions today. And in a lot of these you're going to be asking some additional questions to really be able to nail down what's the project and then be able to determine what's going to apply to that.

Let's see. Oh, I wanted to mention a little bit about match. So there was a question yesterday that we answered about -- on match and infrastructure, and it does allow you a 12-month look-back period.

So, for instance, let's say that I am in a city, and the city itself using non-federal dollars has done a large infrastructure project. Maybe they went through and put in new streets and sidewalks and utilities in a particular neighborhood. And we're going to come in a year later -- let's say eight months later, and now, we're going to build a new HOME project, or maybe we're going to buy a unit and create some affordable housing.

So as part of our match requirements, we're looking for non-federal dollars that make a permanent contribution to affordable housing. So infrastructure would allow us to look back to that infrastructure being put in place, if it was completed up to 12 months prior to the commitment of your HOME funds.

So as I mentioned yesterday, the match notice is really very detailed and very helpful. And these rules change from type of match to the next type. So I really encourage you on each one of these, I would kind of pull out the match notice and just go over the details and match them up with what you know about the project and capture that in your files.

Now, the reference for that, it's EPT Notice 97-03. And so 97 is the year that it was put in place, and it was the third notice for that year. So that's a pretty old notice. There is in the works a new match notice that will update that. It is not out yet. I do not know when that new match notice will come out, but I would just keep an eye out for that coming soon at some point.

And one of the -- I think one of the focuses of the new match notice is talking a little bit more about how as a PJ are you going to track this. So we talked very briefly yesterday about match and the fact that, unless we have been -- I don't know -- forgiven on our match requirement or had it reduced, we have a 25 percent match requirement.

So as we're looking at potential projects that we're going to fund, we're looking for projects that include some permanent investment of non-federal dollars to be able to target that as part of the way we're going to meet our match. So as part of that process we'd be looking during the application phase.

If we funded that project, typically, in our written agreement we're going to want to call out that they are going to provide as match this certain investment of funding. We're going to track when that investment was actually made, and we would follow the guidance in the match notice about when we can actually count that.

And then you're going to be maintaining a match log to show for each of your years. You will be tracking what your match liability is and then how you are meeting that match obligation with the match that's been discovered in each one of these projects. So it requires that there be a process in place and good documentation in place to be able to show that.

Shawna and I have had the opportunity to work with a number of communities over the years that, when we kind of looked at their overall project and we got to the point of asking them the questions about their match, in some cases we had communities that had some carry-over from prior years that maybe they'd carried over for a long time. But they didn't really have adequate documentation to be able to show how was that match generated and how do I -- if I need to demonstrate that that was actually eligible, do I have the documentation in place?

So you do need to think about having a system for identifying that and being able to track that over time to make sure you're going to be in compliance with those requirements.

Shawna LaRue Moraille: I have just one --

Les Warner: Yes.

Shawna LaRue Moraille: -- quick follow-up question for your example is this person's asking about when do the projects have to incur the match by the city, basically to use them?

Les Warner: Well, so if it's specific to the example I've given on infrastructure, if the infrastructure was completed no longer than 12 months prior to the actual commitment date, that's the timeline on that.

For everything else there is some specific language within the match notice. It tells about when a match is eligible to occur. So, for instance, let's say I have a project that maybe I have a donation of land, and that donation, that's where we're going to build our property. So at the point that that donation occurs and the deed has transferred, we would be able to count that match on our log.

But in other cases we're waiting until -- maybe we have donated labor, and so in that case we're going to need to be able to document as that -- those labor hours were actually invested. So if I had workers that -- and we have volunteer lists showing the number of hours they worked on the unit as we have those records, we would then be crediting match based on the federal unskilled labor rate, which I believe is $10 an hour.

So it's really going to differ on the type of match on when we're going to be able to claim that, but it is something that we're going to be able to -- need to be able to track that as we move along. That might be something that you are asking for as you are having draw requests from a project, but you need some kind of a system in place.

Shawna LaRue Moraille: Since you mentioned match reductions earlier, I just want to put a plug that that may not last forever, depending upon your jurisdiction. And so as Les talked about, your match log that you're maintaining, you can bank that forward. And I just thought that that would be helpful to mention.

Les Warner: And that can be a really helpful -- you might have a point in your -- so I mentioned the example of a large infrastructure investment that had been made, and that might be that the size of that investment was significant enough that that was a lot more than your match obligation would be in any given year.

And so that may be a way to sort of bank some match so in future years -- maybe you're doing some projects in future years where there really is not a good source of match to be found and that you're really struggling to be able to meet that match obligation. So being able to sort of bankroll some of that over time can be really helpful.

I would just also mention there are folks -- for instance, I said I worked at the state level, and we had a housing trust fund at the state level. So as we were funding projects, we followed the match notice and determined projects that were HOME eligible but being funded with our trust fund dollars. And so we were able to count those investments based on the guidance within the match notice. And so, largely, all of our match obligations for the state were met because of these other projects that were being funded with our trust fund projects.

And we very briefly mention when we talked about match yesterday that some portion of your match can also come from housing bonds that you might be issuing. So part of that process in thinking about match is going through the details of that notice, looking at all the different ways that you could meet that match obligation and thinking about, overall, what other sources of match might you have like some of -- of trust funds or some other things, bonds that were happening, but then also thinking about, I may have some projects that are going to be much more likely to be able to generate match and I should be asking those questions and documenting that.

Okay. There also was a question about asking, when should I ask for a one-year extension?

So the only extension that you really can ask for is in regards to -- we talked about there's a four-year project completion requirement and that there was the possibility of asking for a one-year extension.

So you really need that extension in advance of running out of the time under the four-year requirement. So that's really why we were talking about, as part of your commitment process, having a project timeline and being able to track the status of projects and know, okay. Are we still on track for this, or are we at risk with that four-year project timeline?

Now, as I said yesterday, I think very typically you would not see folks funding a project that was going to come -- was projected to be completed anywhere close to taking four years. More typically, we would probably see 18 to 24 months. And so you might -- as your process with the written agreement for HOME projects that you're funding, you might have a project completion deadline that is, let's say, 24 months.

They would be -- and you'd be tracking that. At the point that they are not going to meet their 24-month deadline, they would be asking you for an extension, and you would be working with them to make sure that they never got close to being at risk of the four-year deadline.

But I would think, if you were in that situation getting close to the four-year, I would think, as Shawna suggested yesterday, that probably three to six months would be the appropriate timeline. I'd be talking with my CPD rep about that, but generally, folks are going to run their program in a way that you really shouldn't have projects that are coming close to that timeline.

Shawna LaRue Moraille: So we just had a question come in to clarify on if they want to change their period of affordability, Les, with the HOME buyer.

And for either HOME buyer or for rental, that's a conversation that you should have with your field office, and also, I would -- we would strongly recommend that you check your paper documentation as well as what you have in IDIS in terms of the completion date of the activity just to make sure things sync up because sometimes we worked with PJs where they think that they're still in the period of affordability and come to find out they are not in the period of affordability any longer.

Les Warner: Right.

Shawna LaRue Moraille: So I think that's what we would recommend. And if you guys don't work with your HUD Build office, you really need to. They're really there to help you be in compliance.

Les Warner: Great. And then, Shawna, we had a question yesterday where they were asking if the PJ needs to be the folks that are doing that initial income verification -- they were talking about rental -- or whether it was the project owner. So I wondered if you might want to talk a little bit about kind of planning for who's going to do that and the kind of training they might need to do the income verification.

Shawna LaRue Moraille: Well, so whoever wrote this, I feel like they're like a kindred spirit because I tend to be more of a control person, where if I'm working with a new nonprofit or developer, I might want to go ahead and review income eligibility the first time it's done. Hopefully, they've been trained, or hopefully, you train them on how to do income eligibility appropriately.

But if it's a new partner, I might suggest that you go ahead and take a quick look at what they've done and see if you're comfortable with how they're calculating income as well as documenting it in the file. A lot of folks are now using FTP sites so that they can receive more sensitive information and do their review and then do sign-off.

So that's what we've typically seen folks do. It's typically around rental and also anyone who's like a new partner with them.

The state of Texas is one where for a while there they were doing income eligibility training on a monthly basis. I know the state of Alaska did a lot of webinars on income eligibility. So I think it's a combination of training for your partners both virtually and maybe on site and also doing some technical assistance around, hey, let me look at that income file first before you rent the unit or before somebody might be a HOME buyer unit, that type of thing.

Every PJ does this a little bit differently, and it depends upon are you more of a control person like I am or would you -- and quality control person like I am, or do you want to rely upon them because maybe they're a seasoned partner and they've done a great job for other jurisdictions? It's really, really up to you.

Les Warner: And I will just add, you kind of mentioned particularly at that first time. So we could have an issue where, if we placed a tenant in a unit and they actually were never eligible to live there, we can't evict them. And so we're out of compliance and we haven't really started the affordability period for that individual. So it's really important that they get it right.

So particularly on a new project where we've got inexperienced staff, that would be a really important thing to do that sort of double checking. Before they give folks the final yes. You're eligible. You can start moving in. Just somebody double checking to -- knowing that they're getting that right.

I think the other place that I've seen this kind of used on some additional oversight is, if they're -- let's say in your monitoring you notice that you had maybe a property manager who had been a little confused on this. You could make that a condition for a bit. Maybe you give them some training, and then you say, I want to see each of your initial income certifications before you make them official. So they're kind of on a probation area status.

Once you then see that, yeah, they've grasped what I taught them and they're getting this right consistently, you could let that go and not do that anymore. But that would be a good way to just give them some extra support and have a little of additional oversight. And sometimes that's a matter of you might have a property manager that had a lot of turnover in their staff and be kind of at risk suddenly where you hadn't been.

All right. That takes us to the top of the hour. I hope that this was helpful for you. Next week we're going to be talking about the general admin requirements and also talking about the community housing development organizations.

If you get a chance, I would encourage you to read the chapters in advance of our Wednesday session. And look forward to meeting back with you next Wednesday at 1:00 o'clock Eastern Time for our second session. Thanks, everybody.